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SIPDIS

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SUBJECT: ITALY ON THE SIXTH EU-CHINA SUMMIT AND BILATERAL

TALKS: FOCUS ON TRADE AND SECURITY

REF: BEIJING 16134

Classified By: POL M/C T. Countryman for Reasons 1.5 (b) and (d).

11. (U) This cable contains an action request for EAP and EUR/ERA. Please see paragraph 11.

12. (C) Summary: Expanding trade between the EU and China, the EU's continued arms embargo and North Korea topped discussions at the October 30 EU-China Summit in Beijing. The EU and China signed the Galileo Satellite Navigation Cooperation agreement, initialed the Authorized Destination Status (ADS) agreement and committed to increasing economic ties through greater trade and investment. The Chinese pressed for a lifting of the EU arms embargo arguing that the embargo was an anachronism. Berlusconi rejoined that lifting the embargo would be difficult without improvements on human rights issues. The Chinese refused any such linkage and made no concessions or commitments on human rights. EU leaders praised China's evolving role in the region's security and its work in convincing the DPRK to commit to multilateral talks. End summary.

13. (C) We discussed both EU and bilateral portions of Berlusconi's China trip with Berlusconi diplomatic advisor, Gianpaolo Scarante and MFA Asia Desk Officer, Silvia Chiave. Berlusconi participated in the Sixth EU-China Summit in Beijing on October 30, a Sino-Italian Bilateral meeting on October 31 and a meeting with Shanghai business community leaders on November 1 in Shanghai. This was the first time that PM Berlusconi traveled to China and the new Chinese leadership's first direct encounter with the EU's senior leadership. Our interlocutors reported that the new Chinese leadership seems dedicated and more pragmatic to solving issues and playing a greater international role. They stressed Italy's general satisfaction with the Summit and the bilateral meetings and confirmed that an EU Troika, headed by Guido Martini, MFA Director General for Asia and the Pacific, is set to visit Pyongyang, December 9-11. This trip provides the USG an opportunity to influence EU Troika participants (see action request in paragraph 11).

EU-China Summit

Fair Trade and Economic Cooperation

14. (C) The summit focused on trade and commerce and was highlighted by the signing of the Galileo Satellite Navigation Cooperation agreement and the initialing of the Authorized Destination Status (ADS) agreement that will facilitate Chinese group tourism to the EU.

15. (C) The EU expressed concern over the valuation of the Chinese currency versus the Euro as well as fair trade practices and the need to have greater economic cooperation. Chinese leaders said they would not devalue their currency but expressed a desire to search for a more reasonable mechanism by which to ensure more equity and make an effort to respect WTO regulations in order to achieve greater economic growth and trade.

EU Arms Embargo

16. (C) The Chinese pressed hard for lifting the arms embargo, stating that the Tiananmen incident was long past and that China's enhanced regional role and importance merited lifting the embargo. Chiave stated that some EU countries (which she would not specify) are in favor of entertaining this idea but the majority are against it. When Berlusconi tried to link improvements in human rights to a review of the EU embargo policy the Chinese flatly refused any such linkage. Berlusconi told the Chinese that without improvement in human rights it would be difficult to justify lifting the embargo to the European public. Chiave indicated the issue likely would resurface prior to EU enlargement, reiterating the favorable stance of some EU states especially if there are improvements in human rights.

One-China Policy

17. (C) The Chinese also pressed for a strengthened EU one-China policy by soliciting a formal statement in which both Taiwan and Tibet would be included. Chiave stated that this was one of the opening issues and that the EU was

surprised by the fact that the Chinese appeared to be making

a non-issue into a provocation. (Note: The Chinese raised revision of the EU's one-China policy again during Berlusconi's bilateral discussions, but Italy refused to consider it. Interestingly, the Chinese did not raise the Dalai Lama's upcoming visit to Italy at either the summit or the bilateral. End Note)

Human Rights

18. (C) In addition to the Tibet issue, the EU voiced concerns over the general human rights situation in China. Stating appreciation for EU concerns, the Chinese made no commitments or concessions. They clearly expressed the need to maintain stability and continue with economic development in order to ensure adequate living standards for their people. They further expressed their position to keep human rights issues apart from political and economic issues.

North Korea

19. (C) The EU praised the more positive role China is taking as a major player in the region's security. China is working to convince the DPRK to commit to multilateral talks and make the Six Party Talks proceed with the EU playing a neutral role and developing a level of trust with the DPRK. The DPRK will continue insisting on 'simultaneous actions' regarding the US which will present a major challenge. However, this is an opportunity for China as well as the EU to demonstrate that they are global players and can fill an important role in affecting regional as well as international security issues.

110. (C) Relating to the EU role as a neutral participant in the Korean peninsula, Chiave confirmed that an EU Troika, at the regional director level headed by Guido Martini, MFA Director General for Asia and the Pacific, is set to visit Pyongyang, December 9-11. She was not sure with whom the EU officials will meet but stated that the goal is to send a clear message on a greater commitment to Six Party Talks, denuclearization and reconciliation with South Korea. She stated that the EU and partners need to make the DPRK understand the need for stability in the region and the importance of adherence to international commitments.

111. (C) Embassy Comment/Action Request: The EU-Pyongyang dialogue, December 9-11, offers the USG an additional opportunity to influence EU Troika participants. Post requests background and points be sent to USEU Brussels and other EU member state Embassies to reinforce those offered during U/S Boniver's early November meetings in Washington.

Italy-China Bilateral

112. (C) Aside from an attempt to include Tibet and the one-China policy issue in the agenda, bilateral talks focused on trade and commerce. Echoing the previous day's EU-China summit declarations, Berlusconi expressed a cooperative approach towards economic relations between the two nations, reassuring the Chinese that Italy would not impose bilateral protectionist tariffs and urging cooperation and goodwill under WTO regulations. Berlusconi stated that WTO provided for a level and fair trading regime which, if not adhered to, carried its own sanctions. Parties exchanged ideas on how to increase Italian investment and deal with the trade imbalance. They also agreed to expand the Tavolo Cina, an existing business-focused roundtable supported by the Italian MFA, into a political committee with an annual ministerial meeting to review progress; committed to a bilateral seminar on reciprocal investment that will be held in Italy in Spring 2004, and agreed to establish Italian trade offices (Sportello Unico) housing representatives from Italian commercial and government offices to facilitate Italian entrepreneurial projects in Beijing and Shanghai. They also discussed the possibility of opening cultural centers to teach Italian language and culture as well as Italian expo centers.

Berlusconi and the Business Community

113. (C) On November 1, PM Berlusconi met with Italian and Chinese business leaders in Shanghai. He reiterated the points of previous days and, acknowledging the economic boom in China, pointed to the wide availability of opportunities for Italian entrepreneurs. Berlusconi described China as an open, large and well-to-do market eager to embrace and buy

Italian products and urged Italian entrepreneurs to get organized, invest and begin doing business in China, especially in view of the upcoming 2008 Olympics in Beijing and the 2010 World Expo in Shanghai. A challenge to small and medium-sized Italian firms competing against larger European firms, Berlusconi called to entrepreneurs to organize and

group resources in an effort to compete successfully.
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